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## **TRANSMITTAL LETTER**

June 1, 2002

Honorable Mayor, Members of the City Council, and Residents of the City of Auburn:

Pursuant to Section 2-3.219 of Title 2 of the Auburn Municipal Code, I am pleased to make the recommendations for this year's City General Fund Budget. A budget is a financial plan. The attached preliminary budget is a financial plan for services to be provided to residents and business of the City of Auburn during the fiscal year which begins July 1, 2002 and which ends June 30, 2003. Every attempt has been made to incorporate past policy directives provided by the City Council.

The City's overall financial condition remains sound. We maintain an adequate cash reserve within the City's General Fund given the long term debt service and equipment replacement requirements. **However, it is likely that insufficient revenues will be available to meet anticipated expenditures for the next fiscal year.** This concern arises primarily as a result of the State's extremely weak revenue position. There is a forecast of a State budget deficit approaching \$20 billion for the fiscal year beginning July 1, 2002. Traditionally it has been the practice of the State to balance its budget "on the backs" of local government. At significant risk is the Motor Vehicle In Lieu Tax ("backfill" portion). For Auburn this is \$457,000. **If this reduction (or comparable reduction of other revenues) occurs, Council will have to revisit the budget during the fiscal year.**

The 2002-03 budget proposal is not a creation of the past few months. It is part of a long-term development from which the seeds for programs have been sown in previous years. We are not proposing elimination of any programs. The basis services from last year are proposed for continuation. This budget has been reviewed during two study sessions of the City Council.

### ***REVENUES AND EXPENDITURES***

This year a very modest growth of 2% is expected in sales tax revenues. This follows last year's projected sales tax revenues of \$2,607,382 which was \$175,144 or 6% below our projections. This was the result of economic factors, including the 9-11 incident, that were beyond the City's control. In the recommended budget, revenues and expenditures are in balance (based on projections) and a contingency appropriation of \$ 84,193 or 1% is reflected. This is below last year's contingency appropriation of \$176,000 or 2%.

### ***FIRE DEPARTMENT ISSUES***

The City is entering its 5<sup>th</sup> year in a transition from an all volunteer Fire Department to a department that is served primarily by full time employees. There are three major

issues with future budget implications that need to be addressed during the fiscal year, after the new Fire Chief has made his evaluations. These are:

1. Dispatch services,
2. Reorganization, and
3. Implementation of the Auburn Area Fuel Break Plan in collaboration with the California Department of Forestry

#### Dispatch

Currently dispatching is done by the California Department of Forestry under a contract with the City. The contract has expired. The Fire Chief will explore all options, including continuance of the current contract, and bring his recommendations to the Council either prior to the adoption of the budget or shortly after July 1, 2002. It is possible that there will be a need to increase the amount budgeted for this service.

#### Reorganization

Staff is continuing to look at alternatives for re-organization of the Fire Department that began with the creation of our 9 full time fire fighter positions three years ago.

At this point there are two basic problems. The first is that nine full time fire fighters is an inadequate number because it does not allow for vacation coverage or coverage when we send personnel out of town to fight fires during the summer season, etc. This arrangement has created the need to pay for overtime, sometimes beyond our authorization. It is putting an extreme burden on our staff during the busiest part of the fire season and could lead to problems of “burn out” of our personnel.

It also leaves us with a less than the standard and desirable three person minimum manning situation during the busy fire season. This lengthens response times, a very critical issue, and puts us at greater risk during the “high” fire season (a time when we should be reducing risks). Obviously, we are all living with this as best we can.

The second problem relates to the battalion chiefs. Over the past several years we have been very fortunate to have had as many as 6 part time battalion chiefs “available” to cover night and week end supervision duty. This has been a great luxury. It is a result of arrangements that retired Chief Leal cobbled together based on the availability of people who were willing to do this for little or no compensation—because they enjoyed doing this.

Our part time Battalion Chiefs can be expected to retire within the next 2-3 years. When they leave, we will have no “pool” of part time Battalion Chiefs. The answer, I believe, is a long-term plan reflecting the creation of permanent BC positions. This is an element of the “unofficial” reorganization plan that former Chief Leal prepared. The plan specifies

creation of three full-time BC positions (while dropping deputy chief position) and expansion of the number of full time fire fighters (including captains) from 9 to 12. Obviously, this will be costly because ultimately it means adding six positions. How we will pay for this is by far the biggest challenge. Nevertheless, I believe a 2-3 year “phase-in” plan should be developed, discussed in public forums, and funded soon.

While I believe that we can make some gains in expansion of the volunteer force to provide back up coverage for our full time fire fighters, I do not feel this is the entire long-term answer, nor do the battalion chiefs. It is, of course, essential to get the new chief’s input. A study session will be scheduled for this purpose in the near future.

#### Auburn Area Fuel Break Plan

The California Department of Forestry (CDF) has prepared a very ambitious fuel break plan to reduce the risk of wild land fires originating in the American River Canyon adjacent and within the City of Auburn. This involves creation of a 300 foot wide shaded fuel break along the rim of the American River Canyon. It will require a major coordination effort with the CDF and property owners who will need to clear their properties. The Fire Chief will prepare an implementation plan for consideration by the Council after July 1. The implementation plan is expected to require the appropriation of additional funding.

### **MISCELLANEOUS**

In closing, I should again note the City’s reliance on the State for some of its revenue sources. Until the final State budget is adopted (which could occur well after July 1, 2002), the City’s true ability to maintain service levels will not be known. If the City is hit heavily by State action to reduce our revenues, the Council will have no alternative other than to conduct a review and make a decision regarding reduction of services or utilization of reserves for some period of time. It is unfortunate that we have to conduct business in this manner—but the State gives us no choice.

The budget presented to the Council represents the best professional opinion of the staff and the City Council’s best judgement regarding level of services that are felt necessary to accommodate the needs of our citizens. The staff defers to the final judgement of the City Council in deciding any funding issues that may be unresolved. The staff stands ready to meet the commitment of the City Council as reflected in the final version of the budget.

I want to acknowledge the dedicated and tireless work of Finance Director, Richard Loomis, who unfailingly does a remarkable job facilitating the preparation of the budget.

Respectfully submitted,

Paul Ogden

## **COMMUNITY PROFILE**

Majestic views of the American River Canyon, vistas of the Sierra Nevada Mountains, wooded hills and ravines, and streams winding through small valleys characterize the site of the City of Auburn. From its origins in the 1850's, Auburn has emerged as a community of strong historic character, yet serves as a growing economic center. Today, the City comprises approximately 7.5 square miles (this includes the Auburn Airport and Wastewater Treatment Plant) with a population of 12,287.

The location of the City of Auburn is important in order to understand the relationship between growth and development in the foothill terrain and physical limitations. The City is located on the western slope of the Sierra Nevada Range at elevations between 1,000 and 1,400 feet. This provides the advantage of being above the valley fog and below the Sierra snow line. At the crossroads of I-80 and Highway 49, Auburn is the county seat of Placer County and an important retail trade center.

Throughout the years the City of Auburn, and surrounding foothill environs have grown steadily, slowing to a gradual growth rate over the past four years. The unincorporated areas to the north and east of Auburn have continued to urbanize resulting in an Auburn urban area population of approximately 30,000.

The City of Auburn and surrounding Auburn areas continue to attract large retailers and new businesses. The City is emerging as a destination point for those enjoying the variety of activities available in the area from white water rafting, horse back riding, and hiking to the historic ambiance of the Old Town and Downtown areas providing unique shopping and dining experiences. In combination with growth the City continues to preserve its unique character and its sense of history.



**City Council**

Meets on second and fourth Mondays of each month, 6:00 p.m. in the Council Chambers; Study Sessions held on first, third, and fifth Mondays on a as needed basis.

O C Taylor	11/02
Cheryl Maki	11/04
Kathy Sands	11/04
Jodie Hale, Mayor	11/02
Alice M. Dowdin-Singh	11/02

**Historic Design Review Committee**

Lynn Carpenter/Bus Rep	11/00
Vacancy	5/01
Barbara Nichols	2/02
Russell Rinauro	2/02
Vacancy	5/01

**Planning Commission**

Annabell McCord	11/04
Jean Krause	11/02
Bob Snyder	11/02
Randy Wall	11/02
Doug Houston	11/04

**Appointed Officials**

City Manager	Paul Ogden
Police Chief	Nicholas Willick

**Contract Officials**

City Attorney	Charles Wachob
Airport Manager	Jerry Martin

**Elected Officials**

City Clerk	Joe Labrie
Treasurer	George Williams

**Department Heads**

Building Dept.	Wayne White
Fire Chief	Mark D'Ambrogi
Community Dev.	Wilfred Wong
Finance/Personal	Richard Loomis
Public Works	Thomas Fossum

**Airport Commission**

Staff: Jerry Martin, Airport Mgr.

**Telecommunications Commission**

Michael Fontaine	01/03
Don Evans	01/03
Michael Malvey	12/04
Daniel Flom	01/03

Tom Maguire	12/04
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**Library Advisory Board**

Dr. Robert Schnetzler	07/01
Janeene Coleman	01/03

**Traffic Committee**

Tom Fossum, Public Works Director  
 Nick Willick, Police Chief  
 O.C. Taylor, Councilmember  
 Paul Ogden, City Manager  
 Jean Krause, Planning Commissioner  
 Randy Wall, Alternate

**Arts Commission**

Mariko Leonard	08/03
David Tarvin	10/01
Vacancy	08/03
Sue Dings	08/03
Vacancy	10/05
Louise Gilbert	10/01
Vacancy	10/05
Ernylla England	08/03

**Historic Preservation Task Force**

Vacancy	Dave Lardner
Vacancy	Vacancy
Ken Francis	Paul Ogden
Bill Clough	Lynn Carpenter
Liz Briggs	Annabell McCord
William North	Wil Wong, Staff
Alice Dowdin-Singh, Council member	

**Economic Development Committee**

Keith Nesbitt	12/02
Janice Forbes	12/01
Ron Ravo	12/02
Wayne Manning	12/03
Pete Brodeur	12/02
Cheryl Maki, Councilmember	
Alice Dowdin-Singh, Councilmember	

**Annexation Committee**

(Inactive)



## **GLOSSARY OF BUDGET TERMS**

**Appropriations**-Amounts of money authorized to be spent during the fiscal year.

**Assessed Value**-The Value of property used as basis for levying property taxes.

**Assessments**-Levies which pay for improvements directly benefiting their property.

**Available Balance**-Cash credited to fund that is not reserved for another purpose; excludes portion of fund balance which is not “liquid” in nature, such as loans due, inventory or property, receivable.

**Bonds**-Proceeds from the sale of debt; the principal which must be repaid with interest.

**Carryover**-Cumulative savings of a department under ECB budgeting, which is available for expenditure in subsequent years. Any unspent appropriations are added to carry over.

**CPI**-Consumer Price Index; measure of inflation in an area of consumer products.

**Debt Service**-Payments of principal and interest on indebtedness incurred to finance the construction of a capital project.

**Department Revenue**-Selected fees, charges, rent or other income derived by a department from its own activities. Department carryover is ECB appropriation less expenditure plus department revenues.

**Encumbrance**-Reservation of funds for expenditure at a future date, usually under a purchase order.

**Expense**-As the authorization to spend is exercised, an appropriation becomes an “expense” or “expenditure”, i.e., the amount expended.

**Expenditure Control Budget (ECB)**-Method by which General Fund money for the City’s departments is appropriated.

**Fiscal Year**-The 12-month accounting period used by the City, from July 1, through the following June 30.

**Fund**-A separate set of accounts used to record receipt and use of money restricted for specific purposes. The City’s Treasury is made up of **35** separate funds required by the City, state or federal government, or by proper accounting practice. Fund types include the following:

- The **General Fund** receives all unrestricted money which pays for the majority of departmental spending for traditional City services.
- **Special Revenue** funds are revenues earmarked for specific purposes.
- **Debt Service** funds are used to repay the principal and interest on indebtedness.
- **Capital Project** funds are used to account for construction of major public facilities.
- **Enterprise funds** are self-supporting activities financed by users and operated similar to private businesses.
- **Trust funds** are used to account for assets held by the City in a trustee capacity.
- **Agency funds** are used to account for assets held by the City as an agent or to facilitate proper financial reporting.

**Fund Balances**-The excess of the total assets of a fund over its total liabilities and reserves.

**Governmental Funds**-This includes the general, special revenue, debt service and capital project funds. They are accounted for on a financial flow basis, measuring available spendable resources and changes in net current assets.

**Indebtedness**-Amount of principal due on outstanding bonds, interfund loans, and accrued employee benefits.

**Interest**-Income earned on the investment of available cash balances.

**Interfund Transfers**-The reallocation of money from one fund to another.

**Intergovernmental**-Revenues shared with the City by the State (such as the Gas Tax), Federal government (such as CDBG), or other agency.

**Operations**-Departmental costs for employees, contract services, repairs and maintenance, internal services, supplies and other expenses. Over 62% of operation costs are personnel-related.

**Other Income**-Includes property sales and income from sources that are not assignable to regular activities or funds.

**Projects**-Long-term investments in public facilities and infrastructure; also known as capital improvements. Amounts spent may vary widely from year to year.

**Proprietary Funds**-There include the enterprise and internal service funds. They are accounted for in a manner similar to businesses, measuring cost for services and including total assets and liabilities.

**Redevelopment Agency**-Separate legal entity created to alleviate conditions of blight, build infrastructure and promote economic development. The Agency receives property tax revenue on assessed value growth within these areas called “tax increments” to repay Agency indebtedness.

**Revenue**-Money received from taxes, licenses, permits, interest, fees for service, bonds or from other governments by the City during the fiscal year.

**Subventions**-Intergovernmental revenues paid to the City by another government, such as the State.

**Taxes**-Involuntary taxation on forms of wealth (such as property), transactions (such as taxable sales), or other forms of economic activity (such as operating a business, building a house, or staying in a motel).

**Total Budget**-The total of Revenues plus beginning Available Balance, which equals Expenses plus ending Available Balance.

**Unfunded Liability**-Amount of future obligations not covered by assets currently set aside for that purpose, such as accrued vacation leave payable at termination or actuarial-determined future insurance claims.

**User Fees**-Charges of a voluntary nature paid by persons receiving a service in exchange for the fee (such as recreation activities or sewer service fees).

## **SCHEDULE OF CITY FEES**

<b>FEE OR TAX</b>	<b>LEVIED</b>	<b>RATE OR BASIS FOR LEVY</b>
Property Tax	Annual	1% of assessed value (City share 18-24%)
Business License Tax	Annual	Varying percentages of gross receipts
Sales Tax	Transaction	1.25% of taxable sales (total rate is 7.25%)
Real Property Transfer Tax	Transaction	\$0.55 per \$500 sales price less encumbrances
Transient Occupancy Tax	Transaction	8% of lodging
Sewer Service Charge	Monthly	\$35.00/per month/per household.
Garbage Service Charge	Monthly	\$13.94/monthly/curbside can
Sewer Connection Fee	Bldg.Permit	\$3,500 per Single Family residence
Building Permit	Bldg.Permit	Based on Bldg Standards Publication -- Ordinance Table 3-A
Plan Check Fee-Building	Bldg.Permit	65% of building permit
Plan Check Fee-Fire	Bldg.Permit	20% of Building Plan Check/UFC
Fire Inspection	Annual	Based on UFC
Plan Check Fee-Public Works	Bldg.Permit	20% of Building Plan Check
Inspection Fee - P.W.	Transaction	5% of Public Improvement Value
Plan Check Fee-Planning	Bldg.Permit	20% of Building Plan Check Fee
Encroachment Permit	Transaction	5% of Project Cost or \$37.00 minimum
Electrical Permit	Bldg.Permit	1% of Project Cost - \$40.00 minimum
Plumbing Permit	Bldg.Permit	1% of Project Cost - \$40.00 minimum
Transportation Permit	Transaction	\$16.00 Single trip / \$58.00 Annual
Heating Permit	Bldg.Permit	1% of Project Cost - \$40.00 minimum
FEP Fee	Transaction	\$2,750/residence, \$0.85 sq. ft. comm.
Reproduction Fees	Transaction	Cost + 15%
State SMIP Fee	Bldg.Permit	.0001 of value res. & .00021 comm.
Penal Code Registrants	Annual	\$40.00

### **RATES IN EFFECT AS OF June 30, 2002**

Note 1-Effective July 1; rate varies based on service.

## **BUDGET PROCESS AND POLICIES**

### ***FINANCIAL PLAN***

The purpose of the Financial Plan is to demonstrate fiscal solvency over the long term, to provide early warning of adverse trends, and to improve financial planning and policy making for the allocation of scarce budget resources.

The financial model generates revenue forecasts and estimates future year operating and project costs on a consistent basis for all funds. The Financial Plan's projections may or may not occur as predicted, depending upon changes in the economy, future service level changes, and the mandates of other governments. During the year, the Finance Department will update the computer model quarterly, based on actual experience and the latest available information on economic trends.

### ***AUBURN FINANCIAL MODEL***

Traditional "line-item" budgeting practices focus on resources and service levels estimated for any given budget year. Given the sensitive nature of many revenue sources it became clear that the City must develop a means of not only projecting financial requirements for the current year, but anticipate future resources and demands as well.

Beginning with its 1994-95 fiscal year budget, City staff has presented quarterly financial status reports to the City Council in a more concise "cost element" format. This fiscal model reports expenditures for each department, by expenditure component (i.e. salaries & benefits, materials & supplies, and capital equipment). For this budget, historical financial information for the current and the past five (5) fiscal years is presented for the City's General Fund, to facilitate year-to-year comparisons.

### ***THE BUDGET PROCESS***

Budget planning began at mid fiscal year, following completion of the audit for the fiscal year ending the prior June 30, and a review of the first six months of actual revenues and expenditures for the current fiscal year. In April and May, the City's departments began the task of updating information for the estimate of operating expenses for the next fiscal year. The impact on operations of capital projects, legislation and economic factors was reviewed by the Finance Director and the City Manager to determine whether adequate funds exist to meet requests, while maintaining adequate reserves. The ECB target allocations and revenue forecast were reviewed by the department heads, Finance Director, and City Manager, to ensure consistency with City policies with input from the City Council (from Study Session – Budget Workshops), prior to budget preparation and documentation of the recommended budgets.

This recommended budget document will be released to the City Council in May. A Public Hearing will be held in June (and again in July – if necessary), to allow extended discussion on major issues. Ideally, the budget will then be adopted at a public meeting prior to the beginning of the new fiscal year (June 2002).

## ***BUDGET CONTROL***

The approved budget will then be entered in the City's accounting system, which will provide on-line access for up-to-date financial information.

- ***Departmental budgets*** are established by the City Council, on the recommendation of the City Manager and the Finance Committee. The departmental budget is then managed and controlled by the respective department head.
- ***Operating budgets*** are controlled at the departmental level. While cost-element expenditures are shown in 2002-03 year's budget, the intent of this information is to provide internal budget monitoring controls, and are not intended to be explicit appropriations by the City Council. The City Council may transfer appropriations from reserves to departments during the fiscal year. This "bottom line" approach is intended to prioritize overall City spending, while making department heads accountable for internal operations and expenditures.
- ***Project budgets*** are adopted for capital project funds; these budgets may span a number of years. Multi-year projects are budgeted on a year-by-year basis. For each project, subsequent City Council approval is required for approving bids and contracts, and for project cost increases in excess of 10% over budget authorization.
- ***Debt service*** budgets are established when the debt issue is authorized by the City Council.

The statistical sections of the budget are prepared on a "cash basis of accounting" in order to match available financing sources with current expenditures and minimize the need for external borrowing to finance City operations. Financial Statements will continue to be prepared on the "modified accrual basis of accounting" in accordance with Generally Accepted Accounting Principles (GAAP). Under this reporting standard, revenues are recognized in the accounting period in which they become measurable and available, and expenditures are recognized in the period in which the liability is incurred.

Proprietary funds (enterprise and internal service) are reported on a full accrual basis, but their budgets include expenditures for capital outlay and the debt service, while non-cash expenditures such as depreciation and bad debt write-off are excluded from the budgeting process.

The primary purpose of the budget is to provide the City Council with the truest picture of the total available resources, to set spending priorities, and to account for and allocate

cash flows from the various funds. The non-GAAP format of portions of this budget (enterprise funds) accomplishes these objectives more clearly than would strict adherence to traditional accounting principles.

## ***POLICIES***

Listed below are a summary of the City's current budget and fiscal policies:

### **Expenditure Control Budget (ECB)**

Total prior year appropriations for General Fund functions shall be adjusted annually by the percent change in the Bureau of the Census "All Urban Consumers" price index. For the 2002-03 fiscal year the growth factor was estimated to be 3.0% .

Beginning July 1, 1996, unexpended prior year appropriations have been be carried forward into the next budget year to the credit of the respective departments, split equally with the General Fund starting in fiscal year 1995-96. Accordingly, departments did receive 50% of prior year carryovers beginning in fiscal year 1996-97. The 1994-95 fiscal year established a baseline for future ECB budgets.

The Expenditure Control Budget (ECB Model) will show overall General Fund appropriations by department. City Council approval is required to transfer General Fund operating budget appropriations between departments. The budget stipulates continuation of existing service levels, and City Council approval is required for significant changes in service levels.

After adoption of the budget, if the total resources, as estimated by the Finance Director, are insufficient to support the current level of appropriations and established emergency reserve levels, the City Manager shall report the financial shortfall to the City Council and present appropriate recommendations for alleviating that shortfall. The City Council shall, by resolution, adopt budget amendments which reduce appropriations as necessary. If no Council action is forthcoming within 45 days of the City Manager's report, the City Manager shall reduce the total amount of General Fund departmental appropriations accordingly, on a uniform percentage basis.

## **Long-Term Financial Planning**

The annual budget shall include a financial plan incorporating capital projects and debt financing needs, and the effect on operations of inflation and new capital facilities. This Financial Plan shall be in general conformance with the General Plan. Revenue estimates for all funds shall be conservative but realistic, and be generated in a consistent manner from the growth and economic assumptions contained in the City's General Plan.

## **Financial Accountability**

To ensure the timely and comprehensive review by the Council of the City's progress in maintaining the financial soundness of the General Fund, the Finance Department shall report quarterly on revenues and expenditures received to date, projected trends, and comparisons to baseline estimates; staffing levels; and local economic indicators.

## **General Fund Balance**

The General Fund will maintain ending cash and current receivable balances, including carryover and reserves, of at least 8% of the approved budget (no less than \$567,784 for FY 2002-03). This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties, cash flow needs, contingencies or local disasters. The current year recommended budget provides for a General Fund contingency appropriation of approximately 1.2% (\$84,193) and a Cash Contingency for emergencies, capital replacement and payroll liabilities in the amount of \$3,328,610.

## **Revenue and Expenditure Balance**

Annual operating expenditures shall not exceed annual revenues available for such purposes unless authorized by City Council.

## **Capital Project Commitments**

Capital projects for which funds are appropriated in the budget year shall have those funds restricted for use for that project. Such appropriation will continue to be valid in subsequent fiscal years until the project is completed or terminated, if the City has entered into a contractual commitment for project costs. Unexpended capital project appropriations shall only accrue interest if specified by the original funding source as a condition of funding the project. If a capital project requires an additional appropriation in excess of 10% of its current total authorized budget, then City Council approval shall be required.



Recognizing the potential volatility of development-related revenues, no more than 75% of the estimated revenues and accumulated fund balance, for development oriented funds, that are budgeted for capital projects shall be committed prior to actual revenue collection.

Capital projects will be included in each fund's operating budget. For instance, a capital improvement project related to the airport, can be found in the Airport Enterprise Fund operating budget.

### **Enterprise Activities**

All activities similar to any profitable business enterprise shall charge and collect fees adequate to fully fund the activity including working capital and reserve capital requirements, unless expressly authorized for General Fund subsidy by the City Council.

### **Unfunded Liabilities**

Any net General Fund revenues available at year-end shall first be applied by the Finance Director to meet unfunded liabilities and reserves identified in any actuarial studies, audits, or other analyses.

### **Personnel Practices**

Recruitment of new employees, promotions, and reclassifications of existing employees may have an impact on the City's General Fund. The City Council may discuss recruitment, promotions and reclassifications of employees in order to exercise direction and control necessary to be accountable to the community for the City's fiscal circumstances, however all City personnel matters remain the final decision of the City Manager. These discussions may take place in Closed Session as allowed under State Law. In addition, during the quarterly fiscal status reports changes to staffing levels will inform the Council of these employment decisions so as to allow the Council to evaluate the effect of these decisions on the General Fund.

The employee classification plan may be amended from time to time to create, revise or abolish classes of positions, as determined by the City Manager. Each classification shall be assigned a range in the salary schedule so that all positions substantially similar with respect to duties, responsibilities, authority and character or work receive the same schedules of compensation. The proposed Schedule of Salaries (effective 07/01/02) has been included in this budget for approval (S-2).

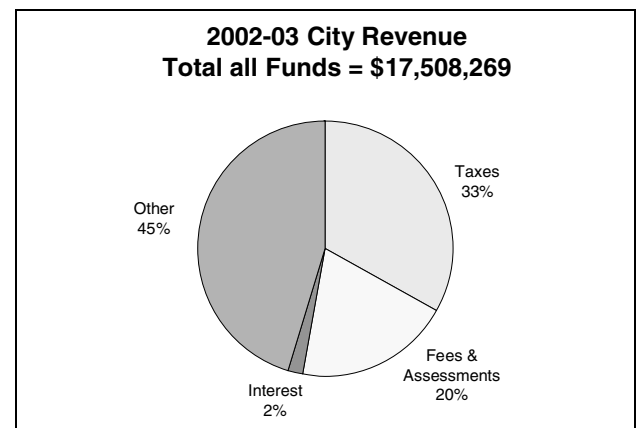
## **BUDGET OVERVIEW: FISCAL YEAR 2002-03**

The 2002-03 Budget is a comprehensive financial plan for all governmental units of the City of Auburn. The primary purpose of the Budget is to make decisions about how the City will spend the financial resources at its disposal, including what types of programs will be funded and at what level. Another important goal of the Budget is to inform the citizens of our community about the City's financial and programmatic activities. Finally, the Auburn Budget is a long-range planning tool that allows citizens to quickly see the long-term trends that will effect the City in future years.

At first glance the City's Budget is complex because of the large number of funds and programs. The central portion of the Budget is the General Fund, which is the operating budget of the City. Other major elements include the Airport Fund, the Sewer Utility, the Transit system, the Transportation system, and other activities. The 2002-03 "total revenue" for all budgeted activities (excluding interagency transfers), is \$17,508,269.

The annual budget process involves a detailed look at all of the different funds and their interrelated transactions. The budget process ensures that trends which will impact governmental revenues and expenses are identified as early as possible.

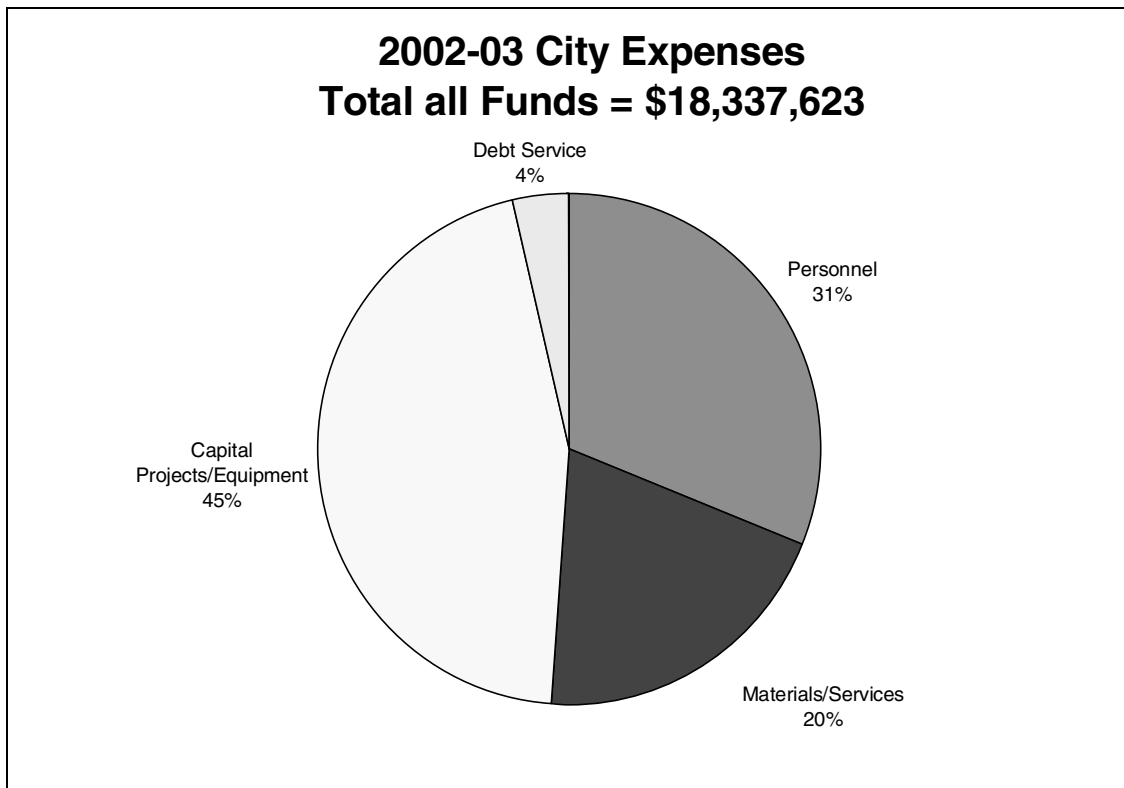
While most budgetary decisions are made on a unit by unit basis, it is helpful to start with a summary look at all of the City's finances to provide some perspective on the scope of activities and the magnitude of the costs involved in providing them.



**Figure 1**

As shown in Figure 1, the total revenues received by all units of government in 2002-03 is expected to be \$17.51 million. The principal sources of these revenues are taxes, fees, assessments, transfers from State and Federal government, and interest. By comparison, total revenues budgeted in 2001-02 were \$17.91 million.

Anticipated expenditures (excluding interagency transfers) for 2002-03 total \$18.34 million, and are summarized in Figure 2. Expenditures are divided between operations costs, debt service and capital improvement projects. Total expenditures budgeted for 2001-02 were \$21.20 million.



**Figure 2**

Taken as a whole, these figures indicate that the City will be spending approximately \$0.83 million more than it will collect (total of all funds) in revenue during the coming fiscal year, with the result that fund balances and reserves will be decreased by that amount in selected funds. The primary reasons for the excess of expenditures over revenues can be attributed to capital expenditures for sewer system & airport facilities improvements, roadway & drainage improvements and early retirement of long term debt on City buildings.

The following pages look at the various operations and funds of the Auburn City government and their respective plans for the coming year. Since the financial environment within the City is a critical issue, the most reasonable place to start is with a look at the underlying economic forecast used by the City.

## ***ECONOMIC AND DEVELOPMENT FORECAST***

As part of the City's budget preparation process, certain assumptions have to be made about the prospects for the local economy and the wider economic climate of which Auburn is a part. Auburn is heavily affected by the national and state economies, in particular because it is located in a high-growth area where new and expanding companies prefer to locate their facilities. The health of the state economy is also an important factor because the City receives a large portion of its revenue from the state government, which in turn requires a strong economy to maintain its tax revenues.

Forecasting the state and local economies is a difficult undertaking. The City has a large number of different revenue sources to track, all of which are affected differently by underlying economic conditions. Forecasting is also complicated by the sporadic rate of internal growth that the City experiences from time to time. For example, while certain revenues like property taxes grow at a fairly predictable rate, revenues from building permits and development fees may vary dramatically from year to year, depending largely on the economy.

## ***GENERAL ECONOMIC FORECAST***

With substantial gains in sales tax revenues generated, the City reached a new plateau (in the 1996-97 fiscal year), at a significantly higher level, that exceeds the previous high collections in fiscal year 1990-91. It is clear that the national economy is going through a period of restructuring as it adjusts to the post-Cold War changes in defense spending and internationalization of markets. Most experts are forecasting a steady but slow rate of growth in the economy, with long-range growth dependent on controlling health care and social service costs and reorienting Research and Development and manufacturing activities towards peacetime industries. The City's revenue forecast for 2002-03 anticipates that the current activity levels will be maintained, but will only enjoy modest increases, from this point forward.

California is still struggling with economic challenge of relatively high costs of doing business and aggressive competition from other states and countries. In the early 1990s the total personal income for residents in the state fell some 2.8%, after having experienced an average annual gain of 3.2% from 1970 to 1990. While it is likely that there will be modest gains in the California economy in the next few years, most economists consider it very unlikely that the robust growth rates of the 1980s will be repeated at any point in the next decade.

In the Placer County area, most forecasts indicate that 2002 and beyond will see modest gains in personal income and retail sales. The biggest economic factor regionally is the closure of McClellan Air Force Base. Past military installation closures (Mather AFB and the Sacramento Army Depot) have shown an effect on Auburn. There is reason to believe that a similar situation will occur since the closure of McClellan AFB. The proposed five year plan for closure of the base facilities, retrofitting, clean-up efforts and the ultimate re-use of the land will all affect the longer-term impacts in this region. Sharp increases in unemployment in Sacramento can have a ripple effect on employment and taxable sales in Auburn. Conversely, continued growth in computer related industries in western Placer County and Sacramento County (Roseville and Folsom) have a positive effect on new residential housing development within the City of Auburn.

### ***BASIC ASSUMPTIONS IN THE AUBURN BUDGET MODEL***

The computer model which was used to create the 2002-03 Budget is based on a number of key assumptions, including the following highlights:

- Inflation will remain in the range of 2% to 3% during the next three years.
- Retail sales are expected to increase from 2001-02 levels in the coming year, but no significant increases are anticipated in the next three years. In general, sales in Auburn during the 1990's will increase at a slower level than during the 1980's, in part because customers have more options to buy throughout Placer County, primarily in Roseville, as well as the un-incorporated area of Placer County, such as the North Auburn area.
- The costs of capital construction will rise, but more slowly than inflation, rising from 1.5% to 2.5% over the next three years.
- The rate of earnings on City investments will average 4.5% in 2002-03, and will hold steady over the next three years.
- Population is expected to grow at a rate of less than 2% per year over the next decade.

## **Commercial Forecast**

The past several years have been marked by sizable levels of commercial and industrial construction.

Based on currently planned projects, the forecast is for only 20,000 square feet of private commercial and industrial development to be built in the years 2002-03 through 2006-07.

## **Residential Forecast**

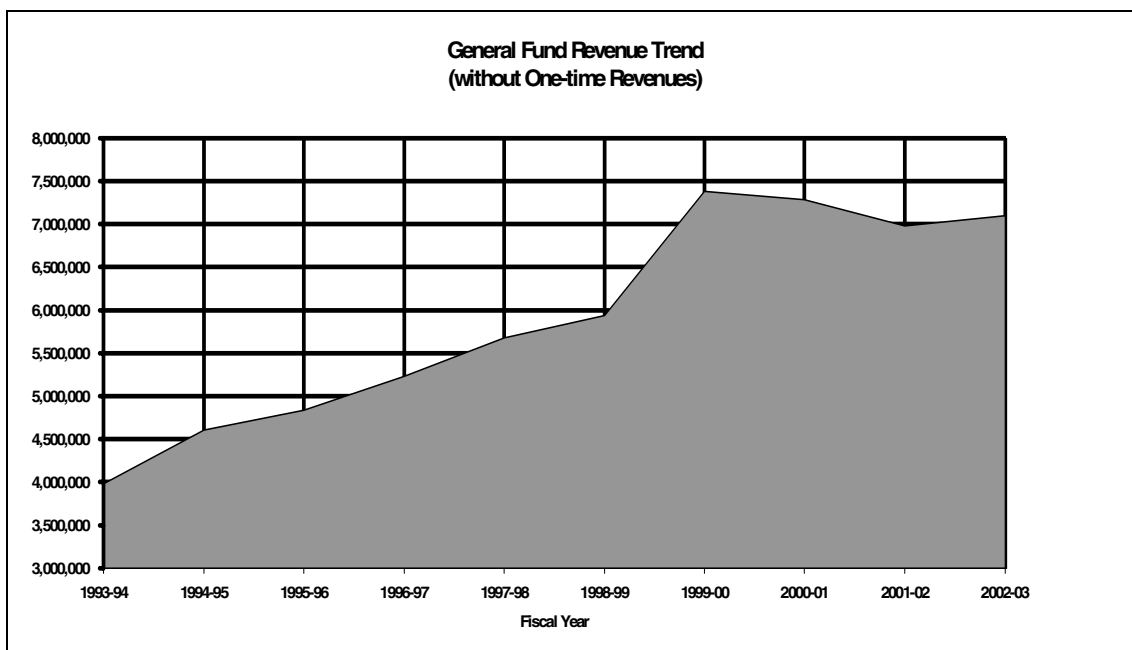
An important element of the City's economic forecast is the projection of new residential units. The number of new homes is perhaps the best indicator of growth in the City's population, which directly results in increased demands for infrastructure (streets and sewer) and government services (police, fire, and recreation.)

After experiencing a number of years of consistently high growth in residential units, the rate of residential construction has dropped significantly in the past five years. After a high of 209 units built in 1989, approximately 55 units were built in 2001. The housing industry has been hampered by lower demand, a switch in buyer preferences toward less expensive homes, and increased financing costs for builders.

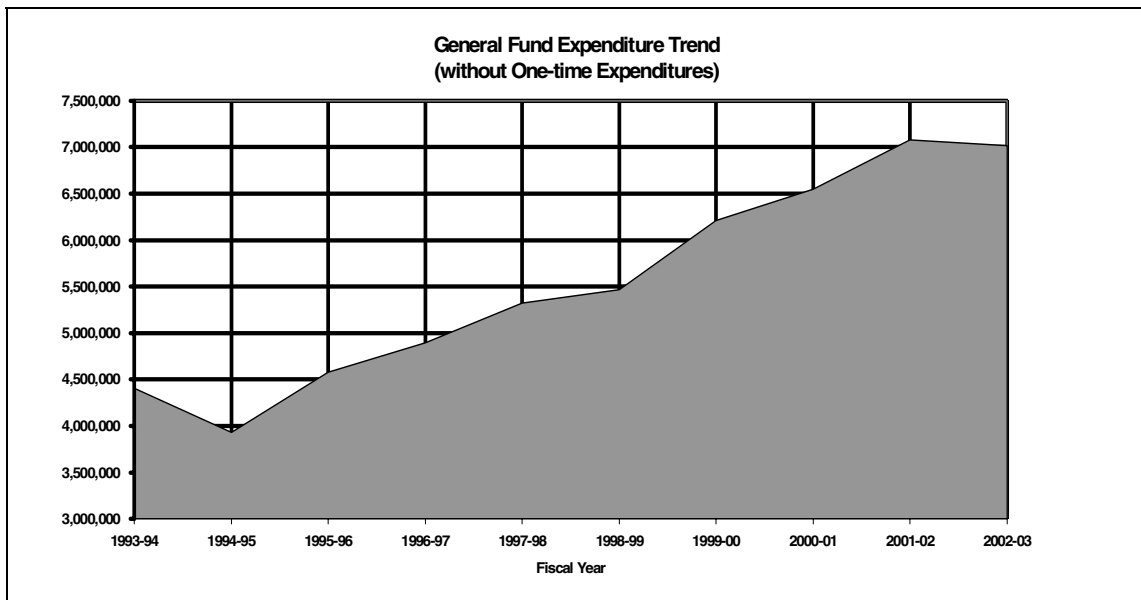
The City is now forecasting a slow but steady recovery to an annual average of 50 new homes, resulting from the strong demand for semi-exclusive housing from the Sacramento Metropolitan area. This long-term growth rate is consistent with the City's General Plan.

## FINANCIAL TREND INDICATORS

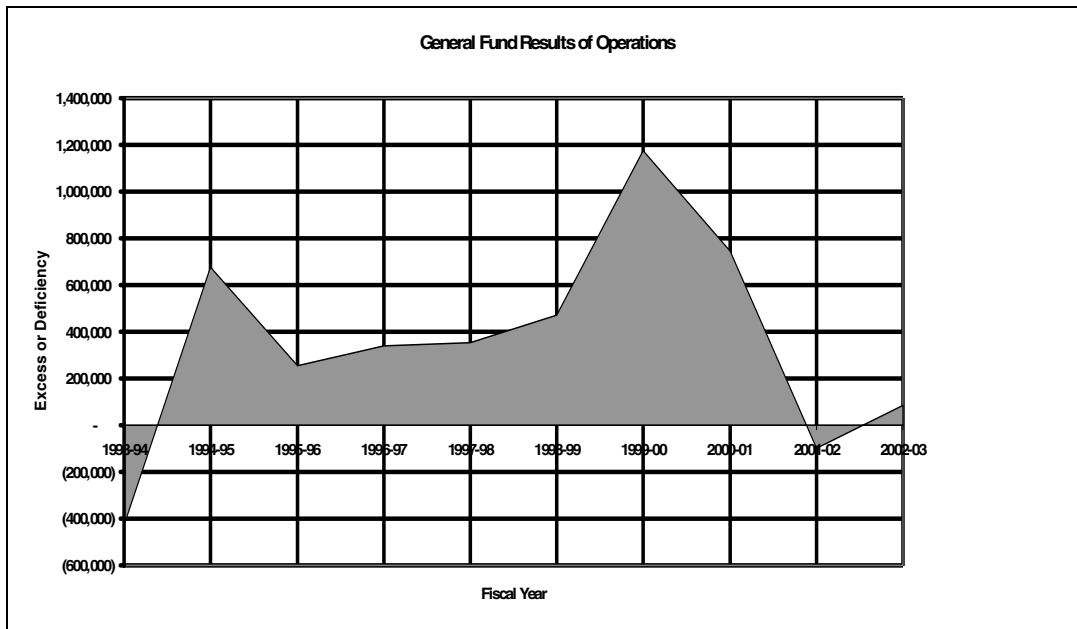
The General Fund Budget recommended for the 2002-03 fiscal year, provides for adoption of a “balanced” spending plan (expenditure appropriations equal forecasted revenues). Over the course of the seven preceding fiscal periods the results of fiscal operations for the City’s General Fund has changed dramatically from a deficit condition (1993-94), to surplus (1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00 & 2000-01), a small deficit last year (2001-02), and now a return to a balanced spending plan. The revenue, expenditure and results of operations are illustrated in the following charts:



**Figure 3**



**Figure 4**



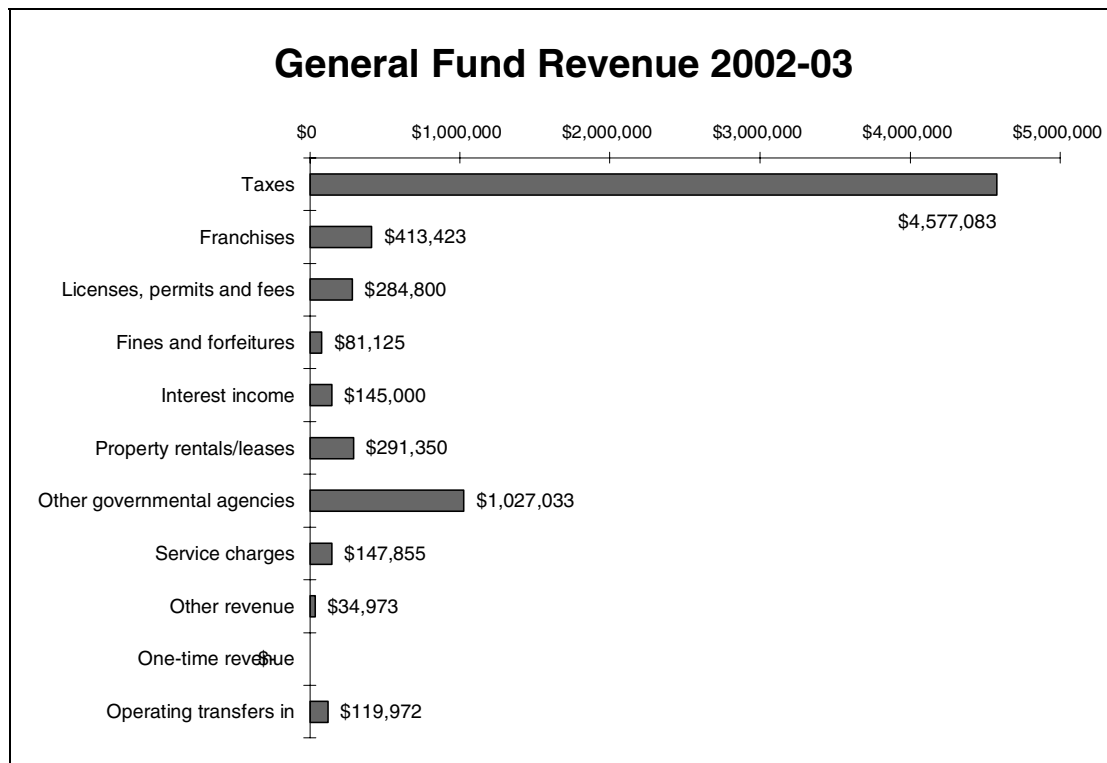
**Figure 5**



## **GENERAL FUND REVENUES**

The General Fund receives all unrestricted money, which pays for departmental spending on the day-to-day operating costs of traditional City services --police, fire, planning, building, public works and administration. Major funding sources include property taxes, sales taxes, vehicle license fees, and development fees and permits. Most of the individual revenue sources are sensitive to changes in the economy, and most are not directly under the City's control. For example, revenue from property taxes and sales tax is set by state law and cannot be adjusted at the local level. One result of this situation is that the City faces considerable uncertainty whenever the State budget is in deficit and the Legislature is under pressure to divert municipal funding to other agencies or the State itself.

General Fund revenues performed below forecast in 2001-02, primarily due to a significant (\$175,144) reduction in the collection of Sales Tax revenues. This revenue shortfall reflected a downturn in the tax revenues collected during the last holiday shopping period, resulting from the combined effects of the national economic downturn and a decrease in holiday travel following the tragic events of September 11<sup>th</sup>. The largest decrease was found in the Department Store sales group, which also points out the competitive impact (on local merchants) of the Galleria Mall in Roseville. Notwithstanding the poor performance of this revenue source in the last fiscal period, our overall assessment is that Sales Tax revenue collections will improve in the new budget year, following the opening of two new (Signature Theaters and Auburn Imports) major sales tax generators in the Spring of 2002. It is anticipated that these new businesses will makeup a large portion of the sales tax leakage to the Roseville shopping mall. This year's forecast incorporates the City's "best estimate" at revenues that will be received in the coming years, ***but it is important to note that anticipated State actions or a reserval of the general economic recovery could result in lower revenues.*** At the time of printing of these budget estimates, we await the release of the Governor's May Revise budget proposal for the coming fiscal year. There are strong indications that the two primary sources of State aid to the City are a risk this coming fiscal year. A substantial portion (67% - approximately \$457,000) of the Motor Vehicle In-lieu payments, as well as all of our Jail Booking Fee Reimbursement (\$100,971) and Law Enforcement grants (in excess of \$100,000) may be suspended in response to the State's concerns for funding of its own programs and constitutional guarantees for funding of school programs. The City will not be certain of its State funding sources, until the State formally adopts its budget for next year. Any reductions in the identified revenues would necessitate significant reductions in the City's budget and/or a substantial drawdown against the City's cash reserves, in order to support the expenditure appropriations herein recommended for the City's General Fund.



**Figure 6**

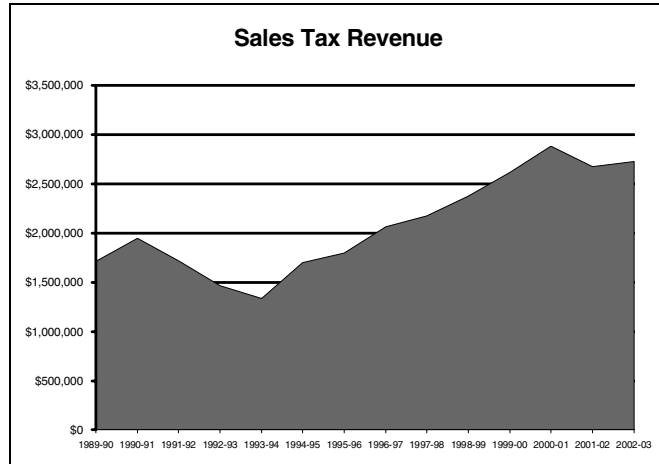
## ***PROPERTY TAXES***

Homes, businesses, and other taxable real and personal property are subject to a property tax rate of 1% of assessed value. Assessed value is based on the 1975 value of property with subsequent increases limited to 2% or CPI, whichever is less. However, when property ownership transfers, or when property is newly constructed, it is reappraised at its current full market value.

The General Fund receives about 18% of the total property taxes levied on property located within its pre-1983 borders, and 15% within areas annexed thereafter. 2001-02 property taxes are forecast to be \$1.6 million, which comprises 22% of General Fund revenues (down from 42% prior to Prop. 13). The Redevelopment Agency receives additional \$235,337 in property tax increment.

## **SALES TAX**

The sales tax is the General Fund's largest single revenue source, projected at \$2.7 million for 2002-03, comprising 38% of total revenues. The sales tax revenue received by the City is equal to 1% of all taxable sales within City limits, with the remainder (0.25%) of the tax going to the State and Placer County's Transportation Development Act Fund.



**Figure 7**

Sales tax revenue is estimated to be \$ 2,677,101 in 2001-02, which is down significantly from the preceding fiscal year. Absent rate increases, revenue collections are expected to increase at an average rate of 2.00% annually, over the next three years, with a significant recovery of the recent drop occurring in the next fiscal year, resulting from opening (Spring of 2002) of several new businesses.

## **OTHER GENERAL FUND TAXES**

In addition to property and sales taxes, the City receives revenue from the business license tax, the real property transfer tax, and the transient occupancy tax. Together, these taxes comprise 3.4% of 2002-03 General Fund revenues.

### **Business License Tax**

This is an annual tax on local businesses, based on gross receipts, under progressive tax rates. The City will receive \$136,500 from this source in 2002-03.

### **Real Property Transfer Tax**

The transfer of real property is subject to a tax of \$1.10 per \$1,000 of market sales price. The City receives half of the tax and Placer County the other half. 2002-03 revenue is estimated at \$49,955.

## **Transient Occupancy Tax**

Occupants of motel/hotel rooms pay 8% of rent for stays of 30 days or less. Revenue growth depends on the number of rooms. Long-term growth is expected to be slow, as there are no plans for additional hotels, at this time. 2002-03 revenue is estimated at \$190,801.

## ***FRANCHISES***

Franchise payments are made by private utility company's for the right to do business in the City using public rights-of-way or a grant of franchise by the City. Franchise payments are estimated at \$413,423 for 2002-03, 5.8% of General Fund revenue.

## **Garbage**

Auburn Placer Disposal pays 14% of gross income on residential and commercial garbage pick-up accounts in Auburn. Approximately 30% of the franchise fee is obligated for post closure monitoring and remediation of the Auburn landfill site near the airport. The remainder of the franchise fees go to the general fund. For 2002-03 General Fund revenue from this source is expected to be \$234,881.

## **Cable TV**

Charter Communications pays a 5% fee of gross receipts for installation of cable lines (Cable TV rates are controlled by Charter Communications, subject to oversight by the City under new federal legislation). 2002-03 revenue is expected to be \$92,742.

## **Gas & Electricity**

PG&E pays 2% of gross receipts on utility income for use of public right-of-way for gas pipes and electric lines. (PG&E sets utility rates subject to State PUC approval.). 2002-03 revenue is expected to be \$85,800.

## **Sewer**

In 1999-00 the City has discontinued the practice of having the Auburn Sewer Utility pay 1% of gross annual revenues into the general fund, as payments in-lieu of taxes (PILOT), pending resolution of litigation regarding the fiscal impact of Proposition 218. Based on the outcome of the *Howard Jarvis Taxpayers v Roseville* lawsuit, staff recommends that these transfers be *permanently suspended*.

## **TOTAL FROM OTHER GOVERNMENTAL AGENCIES**

Other governmental revenues make up 14.42% of General Fund revenues.

### **Vehicle License Fee**

State residents pay a fee to the state each year that is computed as a percent of the depreciated value of their motor vehicles. This source grew steadily at 11% prior to 1991-92, but it fell below State estimates in that year due to the recession and law changes. The current forecast assumes that 2002-03 revenues will be the \$675,753; the same as the 2001-02 collection amount. *This revenue source cannot be considered secure due to the State's discretion over the allocation of these funds, and recent proposals by the State Legislature to repeal a substantial (67% -- approximately \$457,000) portion of this tax.* Notwithstanding assurances (from Governor Davis) that have been given that these moneys will continue to be transferred from the State to cities and counties, this revenue source will remain "at risk" until the adoption of the State's budget this summer.

### **COPFAST -- Federal Grant**

In 1995-96 the City of Auburn applied for and was granted its first Community Oriented Policing Services (COPS) grant from the US Department of Justice. This program provided for a 25% local match on the base salary of police officer positions, for a three (3) year period, with the federal government paying 75%. The City applied for and was granted an additional (5th) position beginning in the 2002-03 fiscal year. Revenue from 2002-03 is expected to increase to \$40,011, as grant funding is now available for the addition of a second school's resource officer.

## **SERVICE CHARGES**

Service charges are reviewed annually and set, along with the budget, by resolution. This class of revenues is highly sensitive to the level of residential and commercial construction taking place in the community. Building activity has been strong in recent fiscal periods with sustained growth in residential housing of 50 new housing units completed annually. Projections indicate that the City will receive \$147,855 in 2002-03 or 2.1% of the General Fund revenues.

### **Planning Fees**

Includes fees to help defray expenses for processing various applications including tentative subdivision maps, use permits, variances, and civic design permits, as well as assure compliance with City General Plan, Municipal Code, and applicable state laws.

### **Building Plan Checking**

Private building plans for construction, in accordance with the Uniform Building Code, are reviewed subject to a plan checking fee computed at 65% of the cost of a building permit.

### **Building Permits**

These permits authorize construction, and are computed based on a declining rate (under 1%) of building value based on standard building costs. Separate permits are required per electrical, plumbing, heating and fire codes.

### **Engineering and Inspection Fees**

Helps defray City costs of ensuring that engineering construction complies with applicable codes and City standards. Includes fees imposed on developer for administration of any assessment district financing for public improvement construction.

## ***INTEREST INCOME***

The City employs a prudent cash management program to ensure that all available funds are invested to earn the maximum yield consistent with the maintenance of reasonable safeguards for safety and liquidity. Invested money is pooled and each fund receives interest income based on its share of daily cash balances. Rates of return averaged 8-11% for several years preceding 1991, but plummeting interest rates have lowered yields in recent years to about 5%. A return of 4.5% is forecast for 2002-03, due primarily to significant weaknesses in global financial markets that have evolved during the last twelve months. Significant reductions in investment interest rates have followed the unprecedented decrease in the “discount rates” adopted by the Federal Reserve Board over the past 15 months (aimed at generating the economic stimulus necessary to foster a recovery of the national economy). Interest comprised as much as 10% of General Fund revenues in the early 1980’s, but has fallen to approximately 2% in the proposed budget for 2002-03.

The forecasted interest earnings may fluctuate based on market conditions and cash balances (which depend on the rate of spending versus revenue collection). The General Fund also receives interest from funds with minor balances. Interest income is estimated at \$145,000.

## ***OTHER REVENUES***

Other revenues account for \$34,973, or 0.5% of total 2002-03 General Fund revenues. They include: the sale of documents (\$7,500) and surplus property (\$5,000), Police Officer Training (POST) reimbursements (\$15,000), and insurance refunds related to temporary disability payments under the City’s Workers’ Compensation program (\$7,473).

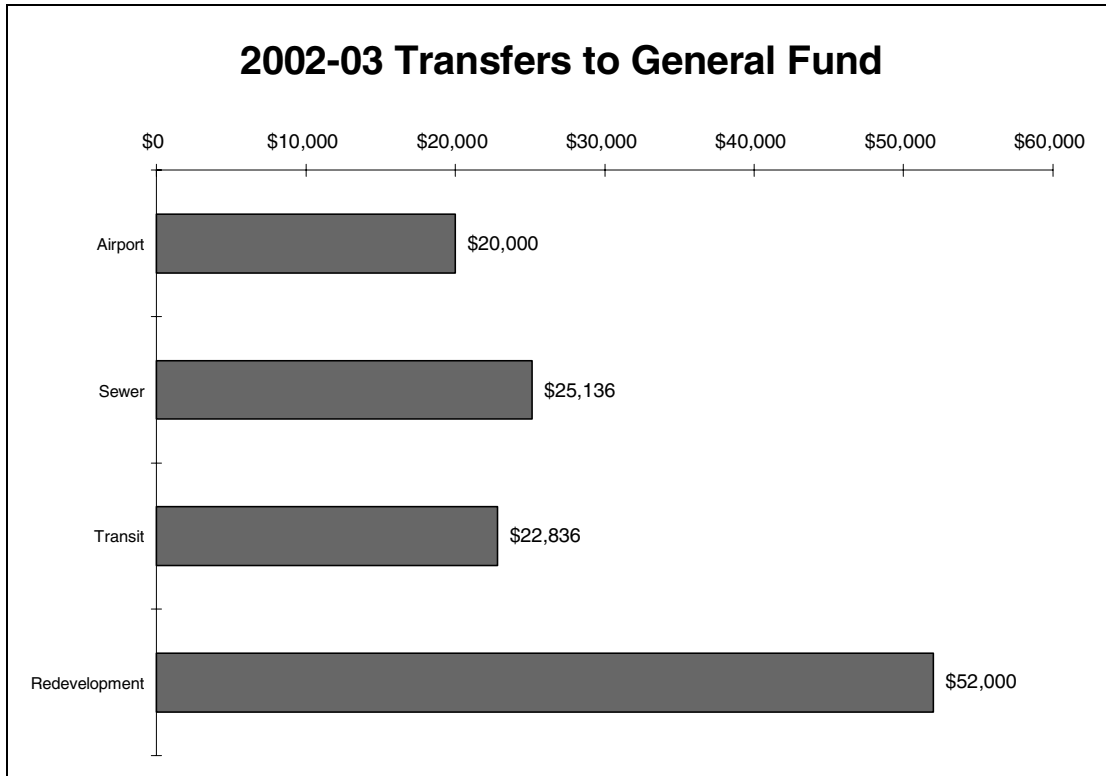
## ***ONE-TIME REVENUES***

The City sometimes receives very welcome, but unexpected one-time revenues such as reimbursement of Wildfire Strike Teams from CDF, insurance recoveries, or land sale income. For the 2002-03 fiscal year no one-time revenue is expected to be collected.

## ***TRANSFERS***

The General Fund is also reimbursed for General Fund expenditures made on behalf of other proprietary funds. The Transit Fund, Airport Fund, Sewer Fund, and Redevelopment Fund reimburse the General Fund for the cost of staff support and

management costs. Charges to (and reimbursements from) the enterprise funds total \$119,972, or 1.7% of the total 2002-03 General Fund revenues.



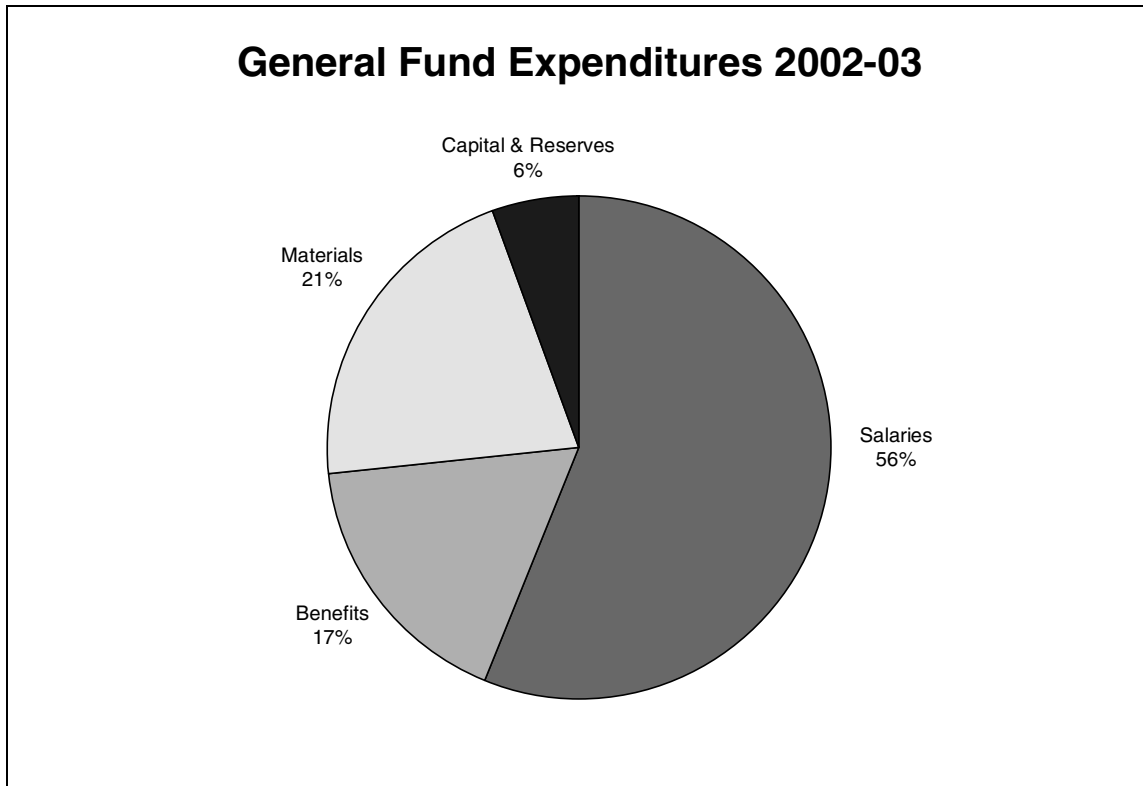
**Figure 8**



## **GENERAL FUND EXPENDITURES**

### ***ORGANIZATIONAL BACKGROUND***

In Auburn there are six primary workgroups, under the direction of the City Manager and City Council, which spend General Fund revenues and perform the administrative and service delivery aspects of City government.



**Figure 9**

### **Administration**

Is not a separate department in itself, but is a composite that includes the City Manager's Office, the City Attorney, City Council, City Clerk, and Commissions; these provide overall support and direction to the other departments.

### **Community Development**

Provides urban planning, zoning, economic development, redevelopment, and housing programs.

## **Finance**

Provides support services to the other departments and the community, including revenue collection, accounting, budgeting and human resource management.

## **Fire**

Provides fire suppression, prevention, and medical emergency assistance.

## **Public Works**

Designs, constructs, operates, and maintains the City's infrastructure system of streets, sewers, drains, and landscaping, and manages the sewer and transit systems.

## **Police**

Provides police protection, investigation, and general law enforcement.

## ***EXPENDITURE CONTROL BUDGET (ECB)***

The expenditure control budgeting system was designed and initiated in 1979 by the City of Fairfield as a response to the fiscal challenges posed by the passage of Proposition 13. The intent of the ECB is to hold down General Fund expenses while encouraging the greatest efficiency and flexibility by departments.

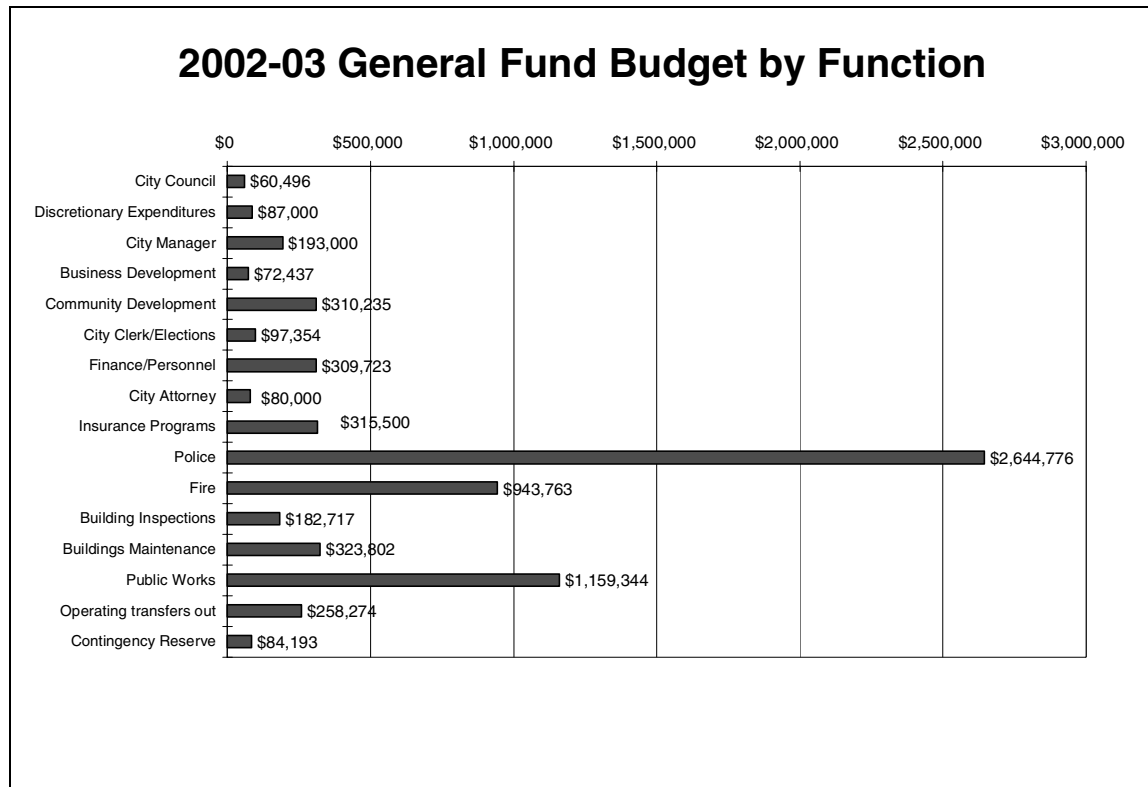
When revenues are sufficient to cover appropriations, the ECB increases each department's budget by an amount that reflects inflation and growth in the community. Over the years this can allow departments to keep up with the increasing costs of labor and equipment and simultaneously expand services to meet the needs of new residents in the community.

This fiscal practice encourages thrift and accountability; departments retain 50% of any carry over portion of their ECB appropriations and use it in future years for special expenditures or to cover uneven service cost increases. This avoids the "use it or lose it" mentality that sometimes leads to wasteful year-end spending in other government agencies. Since the ECB provides a single appropriation to each department, department managers have the flexibility to make and revise their internal line-item budgets to meet changing needs and take advantage of opportunities for increased efficiency. Beginning with fiscal year 1997-98 these carryover appropriations, have been authorized as a separate action by the City Council.

While the annual adjustment is designed to be automatic, the City will carefully monitor General Fund revenues to ensure that available funds will meet or exceed the ECB level. If actual revenues lag behind projected revenues and community growth, as they have in recent years, the ECB appropriations can be held flat or reduced through an automatic "deflator", or by a separate Council action.

The ECB system holds Department heads and employees accountable for the “bottom line” while providing them the flexibility to be innovative with the resources at their disposal.

### 2002-03 BUDGET BY FUNCTION



**Figure 10**

Figure 10 displays the basic functions performed by the General Fund and identifies their recommended funding for 2002-03. The largest commitment (of total) is to public safety, with \$3,588,539 (50% of General Fund expenditures) in funding for police and fire services. Public Works costs is the second greatest commitment at 16% of the general fund costs. Community development costs, including planning, and building inspections is 11%. General government costs (combining legislative, management and financial) total 11%.

## **NON-GENERAL FUND OPERATIONS OVERVIEW**

In addition to the General City services provided under the General Fund, there are a variety of other services provided by City departments which have their own dedicated funding sources.

**Auburn Municipal Airport:** Is a general aviation airport serving recreation, commuter, limited air cargo, and public safety needs. Revenues generated off the easterly 40 acres of the City's Industrial Park (Phase I) are included in the Airport Enterprise Fund.

**City Industrial Park:** Is a City owned industrial park located next to the Airport for general and aviation related industries. *Note: since 1997-98 this activity has been included within the City's General Fund appropriations.*

**Sewer Utility:** Builds, operates and maintains Auburn's sewer treatment plant and collection system.

**Auburn Transit (Auburn Mini-Bus):** Provides regularly scheduled bus services and a variety of special transportation programs for people with special needs.

In general, non-General Fund operations are funded by State and Federal grants and by user fees. As independent City operations, the revenues and expenses in these funds do not have a direct impact on the City's General Fund. For example, the operations at the sewer plant are not supported by the General Fund's tax revenues, and the work that City employees do in support of the sewer utility is paid for by the fees collected for sewer services.

Detailed information on each of the major non-General Fund operations is provided in the pages that follow.

### **SEWER OPERATIONS**

The Sewer Utility is a self-supporting enterprise which is paid by sewer service charges and connection fees on new users. The City currently operates under contract, one wastewater treatment plant, 85 miles of sewer line, and 11 lift stations serving approximately 3,600 homes and business.

The operation and maintenance of the City's sewer treatment plant and sewer collection system is paid for by monthly service charges to all residential and commercial users. Sewer fees are a combination of a volume, strength, and flat service charges. Every two years an audit of the sewer rates/charges will be performed to ensure each class of user pays only their fair share of utility costs.

## ***SEWER CAPITAL PROJECTS***

As the City of Auburn grows the Sewer Utility manages an on-going program of construction to up-grade treatment facilities, transmission lines and collection systems that are required to serve new development. Increasingly strict effluent quality standards have also required the up-grading of the treatment facility system.

The Sewer Utility pays for its capital construction and expansion program with connection fees from new users and any income from debt borrowings. The most recent facilities upgrade of the Wastewater Treatment Plant, located in Ophir, was completed at a cost of approximately \$5,685,000. Phase 1A of the project (approximately \$2,175,000) was completed in the Fall of 1998. Phase 1B (approximately \$3,510,000) was completed in the Spring of 2001.

## ***TRANSIT OPERATIONS***

The City has provided public transit since 1978, when the first dial-a-ride service was initiated with one small van. Fixed route service was begun in 1989.

The goal of the Auburn Transit System is to provide citizens with a convenient, attractive and economical alternative to automobiles and increase the mobility of young, elderly, economically disadvantaged and handicapped persons.

A wide variety of transit services are provided by the mini bus, including fixed route bus service, dial a ride service, and group contract service.

Transit programs are funded primarily through Transportation Development Act (TDA) funds.

The Auburn Transit System provides funding for a variety of projects that benefit transit and encourage alternatives to automobile use.

The largest project currently being planned is the development of a Regional Transportation Center over the next five years.

## **REDEVELOPMENT AGENCY OPERATIONS**

**Redevelopment Agency:** provides essential funding for capital projects, housing projects, studies, planning and development efforts which are focused on the economic development of blighted areas within the City.

The Auburn Redevelopment Agency, known as the Auburn Urban Development Agency (AUDA) is comprised of a “project area” where projects are undertaken to improve public facilities, create jobs, revitalize neighborhoods, and provide funding for low and moderate income housing. Capital funding is obtained primarily through the sale of bonds or other loans, and the debt service on the bonds is paid with property tax revenues (“tax increments”) from the assessed value growth, above unimproved taxation levels within the project area.

### ***AGENCY ASSETS***

The Redevelopment Agency owns land both inside and outside of the project area (the Blocker Drive property). This property is held for lease or sale for future construction of low/moderate income housing, and has an appraised value of \$350,000.

Fiscal limitations on the amount of tax increment generated by the Agency hampers the ability of the redevelopment agency to accomplish its economic development goals, and accordingly, the number of planned capital projects have been reduced to a minimum.

### ***REDEVELOPMENT AREA LOW AND MODERATE HOUSING SET-ASIDE***

A major source of funding for housing programs is the set-aside of property tax increments for the redevelopment project area. The “low/mod” funds must be used for the benefit of low or moderate income housing within the City, and State law specifies that redevelopment areas must set aside 20% of tax increments unless there are special circumstances. Auburn’s redevelopment agency presently sets aside 20% of the tax increments.

To the extent that low/mod funding is available, it could be used for a number of activities including but not limited to: support new housing programs, single-family mortgage subsidies, acquiring new multi-family housing, creating housing rehab loan programs, housing conservation efforts, and reimbursing City administrative expenses. The most recent project that the Agency has participated in is the Palm Terrace Apartments facility.

## ***REDEVELOPMENT CAPITAL PROJECTS***

Due to the State of California's actions, which have diverted tax increment revenues away, and due to the failure to transfer public properties (E.V. Cain site, College Way 4.2 acres, and Juvenile Hall site) into private ownership for development, the City has been forced to curtail the number and extent of projects proposed in the agency's original plan.

Recently, the agency has completed the engineering phase of a storm water diversion project (Electric Street Diversion) related to the Old Town Drainage Project, and supported to the design and construction of public restrooms in the Old Town commercial area. This budget proposes funding for a parking lot renovation project (the High Street Parking Lot) located in the City's central business district. These activities have been funded on a "pay as you go" basis (from property tax increments), without the need for external borrowing of project funding.

## **CAPITAL IMPROVEMENT PROJECTS**

While the General Fund covers the costs of operating the City of Auburn, most of the infrastructure used by the City is paid for by special revenue sources. This infrastructure includes streets, bridges, sewer treatment plants, public buildings, drainage and sewer projects.

The City's 6-year capital improvement program includes \$22 million in projects which have identified sources of funding (2001 dollars). These funding sources included State and Federal grants, proceeds from bond sales, and revenues from existing development fees.

All capital projects scheduled by the City (including the Sewer Utility) will be incorporated into the federally mandated thirty-year Comprehensive Capital Budgeting system, a computer model that will be used for long-term planning in conjunction with the General Planned federal transportation planning.

In addition, there are a large number of storm drainage projects that are dispersed around the City and will have to be paid for by a newly created capital funding source, that is not yet established.

## ***FINANCING SOURCES FOR TRANSPORTATION PROJECTS***

The City uses financing from a number of sources, including State and Federal programs, to build and maintain the street transportation network. Unfortunately, while the need for funding is increasing, the fiscal crises in Sacramento and Washington are creating doubts about the future of State and Federal funding. In addition, the slowdown in local residential development has reduced the amount of local funding available to support street projects. Some of the key resources are as follows:

### **State Gas Tax**

The State currently imposes a 14 cent tax per gallon of gasoline, and allocates part of it to cities and counties on the basis of population and statutory formulas. These funds are restricted to use for street maintenance, traffic safety, and construction, and are one of the principal sources of funding available to the City.

The Gas Tax is levied on gallons of gas sold, not the price of gas, so revenue levels are determined by overall consumption and fuel economy. Revenue growth has averaged about 2% per year independent of the Prop. 111 rate increases (9 cents). Annual revenues currently total \$243,041. Approximately 75% of the gas tax revenue provides funding for street lighting. The remainder will be used for roadway maintenance and construction activities.



## **Transportation Development Tax (TDA)**

Transportation Development Tax (TDA) funds come from 0.25 cents of the 7.25 cents statewide sales tax rate, which is allocated to counties or regional transit agencies. The City's allocation is governed by the Placer County Transportation Commission (PCTC), consisting of officials from all Placer County jurisdictions. Funds are split between transit and street needs based on grant requests using PCTC priorities, and by law transit needs have first call on available money.

TDA funds provide a major portion of the funding for the Auburn Transit System, with operating support forecast at approximately \$336,941 for 2002-03; in the past the City has been allowed to use excess funds to pay for streets projects.

## **Surface Transportation Program (STP)**

The STP program is a Federal program that provides a guaranteed source of funding to Counties for road, transit and transportation improvements. STP, as part of ISTEA is a major source of funding for projects in Auburn.

## ***TRANSPORTATION CAPITAL IMPROVEMENT PLAN***

The largest area of capital investment in the City is the network of street projects that serve vehicular traffic. These projects include streets, bridges, interchanges, intersections, street lights, sound walls, and many other street related projects.

The continuing growth of the City is creating significant demands for the maintenance and expansion of the street and highway network. Higher levels of traffic are putting an increasing burden on existing road surfaces and creating a need for widening of roads and the improvement of intersections and I-80 interchanges.

## **DEVELOPMENT MITIGATION FEE CAPITAL PROJECTS**

As the City of Auburn grows from its current population of around 12,287 persons to an eventual population of over 23,000 by the year 2012, there will be a need to provide new streets, public buildings, libraries and other facilities to maintain the quality of life that the City currently provides. In many cases new residential and commercial/industrial developments pay for the streets and other facilities immediately adjacent to their sites, either by direct investment on the part of the developer or through the issuance of assessment district bonds that allow developers to pool their resources to pay for major capital improvements.

While development usually pays for local area improvement, new development also has the effect of increasing overall demand for transportation and public services. For example, as the City grows there will be increasing levels of traffic on the I-80 interchanges in Central Auburn which will eventually cause traffic jams and seriously impact the quality of life for residents. In order to meet these anticipated needs the City will be developing development impact fees that cover the cost of identified improvements. The city has historically collected off-site mitigation fees for a variety of projects. City staff will develop models using trip-end data generated during the general plan update in 1993. The intent is to create uniform "zoned" style fees that are easily managed and administered. A summary of current development impact fees are, as follow:

### **IMPACT MITIGATION FEES – JUNE 2002**

<b>DRAINAGE</b>	
Nevada Street	\$480/Acre
Rock Creek Reservoir	\$750/Acre (paid directly to Placer County)
<b>SEWER</b>	
Auburn Bluffs	
Gravity Only	\$505.68/Unit + CPI Adjustment
Gravity - Lift Station Area	\$256.79/Unit + CPI Adjustment
Maidu Lift Station	\$138.45/Lot
Southwest Sewer	\$750.00/Acre
Annexation Fee (in process of being recinded)	\$419.00/Unit
North Area Sewer	\$297.51/Lot
<b>TRAFFIC</b>	
Indian Hill Rd/Auburn Folsom Rd.	\$25.80/Lot
Herdal Dr./Auburn Folsom Rd.	\$27.60/Lot
Dairy Rd. Improvement Fee	\$221.17/Lot + CPI
Hwy 49 Traffic Mitigation	\$39.00/Trip End - 10 Trips/Lot
Nevada Street	\$70 - \$113/Trip End
Edgewood Road	\$3,905/Lot
Oakridge Way - Road Network	\$1,215/Lot
Shirley St/Garfield Intersection Mitigation Fee	\$28.40 / Trip End
<b>MISCELLANEOUS</b>	
Maidu Fire Station	\$210.00/Lot
ARD Fees	\$1,073.28/Lot
Facilities and Equipment Improvement Fee	\$2,750/Dwelling - \$.85 Sq. Ft. Commercial or unless within C.D.F.

## **OTHER CAPITAL PROJECTS**

### ***Drainage Maintenance Capital Projects***

Drainage facilities are traditionally funded via the Transportation tax fund, or other sources, as there is not a dedicated funding source for drainage improvements. Most drainage improvement activities have focused upon repair and replacement of existing facilities.

## **DEBT SERVICE**

Most City services are on a pay-as-you-go basis; however, the construction of major City facilities have been financed through bond sales and bank loans.

### ***CITY DEBT SERVICE***

This section addresses bonds of the City which are also included in an enterprise fund such as airport, sewer and redevelopment.

#### ***General Obligation (GO) Bonds***

These bonds are backed by the full faith and credit of the City, which levies a property tax to repay the bonds, are called general obligation bonds. The City will make a \$ 27,817 payment on 2-1-03 and a \$126,262 payment on 8-1-02 for the redemption of the Civic Center Bonds. The August payment includes scheduled debt redemption in the amount of \$95,000. The balance of the debt outstanding (after this reduction in the principal balance) will be \$750,000, and the final payment is scheduled for 8-1-08.

#### ***Certificates of Participation (COP's)***

This debt was issued by the City to construct capital facilities and buildings. Non specific revenue sources are used to pay debt service on this debt. The City will pay \$ 65,494 on 3-1-03 and \$142,594 on 9-1-02 for the Public Safety Building Bonds. Last fiscal year (2001-02) the sum of \$1,272,000 was transferred from unallocated General Fund cash into an interest bearing Debt Service Reserve Account, to provide for early retirement of this debt in September of 2005. At 06/30/02 the balance in this reserve account will be approximately \$1,687,414. The gross interest savings estimated to accrue from early retirement of this debt (at that time) is \$986,221.

#### **Assessment District Debt Service**

Assessment Districts are basically geographical areas within which property owners pay special assessments for debt service on construction projects that benefit that particular district. There are no active assessment districts within the City of Auburn, at this time.

#### ***Improvement Bond Act of 1915***

The Auburn Bluffs sewer assessment district *no longer* has any outstanding bonded indebtedness. The bonds were issued under the terms of the 1915 Improvement Bond Act and were repaid by

assessments on properties receiving the benefit of the improvements. The remaining bonds were called and redeemed on March 2, 1996.

Assessment districts have historically financed a variety of street and sidewalk improvements, storm drainage, sewer and sewer installations, street lighting, and under grounding of electric utilities.

## **GANN SPENDING LIMIT - PROPOSITION 4 COMPLIANCE**

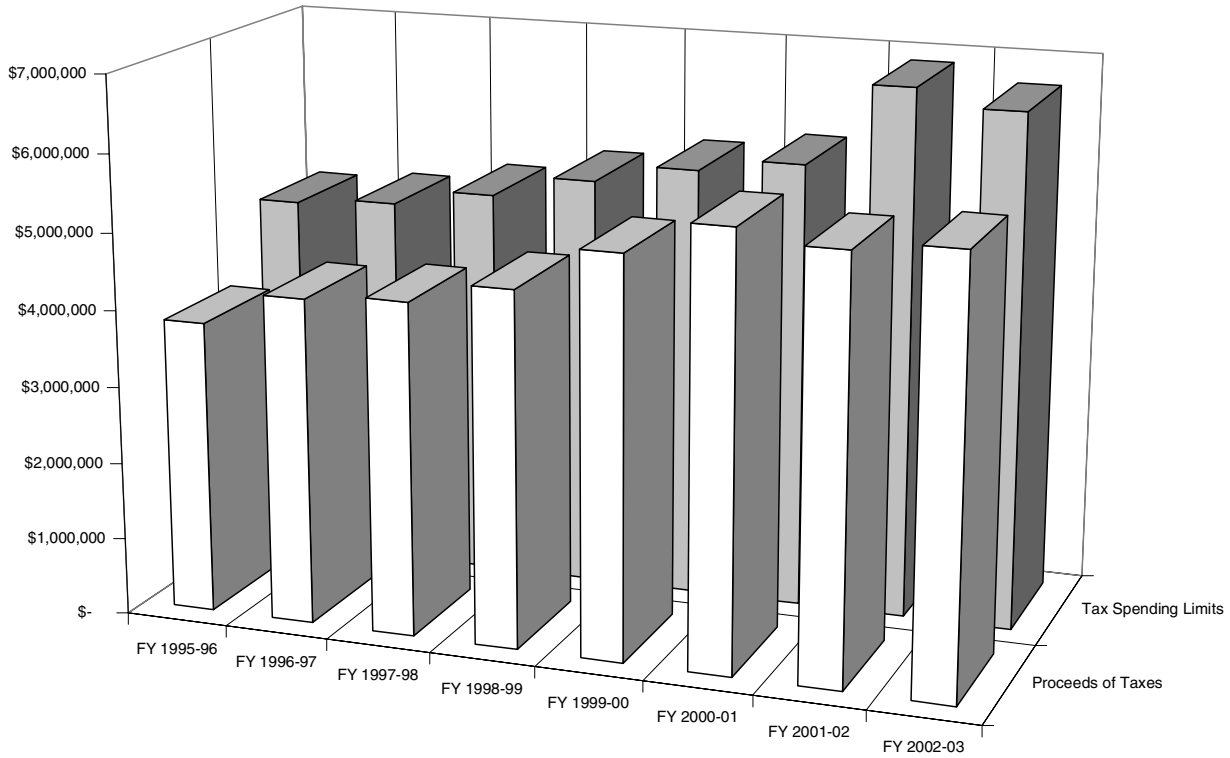
On November 6, 1979, California voters overwhelmingly approved Proposition 4 (the “Gann Tax Spending” initiative) which added Article XIII(B) to the California State Constitution. This law limits the growth in expenditure appropriations of both state and local governments that are financed with tax dollars. Proposition 4 was labeled a spending limitation regulation, but is more accurately described as a limit on the appropriation of taxes to finance government activities. Accordingly, Proposition 4 does not limit all appropriations (government spending), but applies specifically to the restriction of appropriations (spending) financed by taxes. Section 7910 of the Government Code requires the governing body of each local jurisdiction to establish (by Resolution) it’s appropriations limit for each fiscal year.

The table below computes the “Gann Spending Limit” for the next budget period (2002-03):

<b>Fiscal Year</b>	<b>Certification Date</b>	<b>Population Counts</b>	<b>Prior Year</b>	<b>Population Percent Change</b>	<b>Per Capita Income Factor</b>	<b>Annual Growth Factor</b>	<b>Cummulative Growth Factor</b>	<b>Computed "Gann" Limit</b>
2002-03	1/1/02	12,287	12,511	0.9821	0.9873	0.9696	5.0784	6,647,248
2001-02	1/1/01	12,511	11,391	1.0983	1.0782	1.1842	5.2375	6,855,496
2000-01	1/1/00	11,391	11,595	0.9824	1.0491	1.0306	4.4228	5,789,078
1999-00	1/1/99	11,595	11,598	0.9997	1.0453	1.0450	4.2913	5,616,961
1998-99	1/1/98	11,598	11,422	1.0154	1.0415	1.0575	4.1064	5,374,930
1997-98	1/1/97	11,422	11,431	0.9992	1.0467	1.0459	3.8829	5,082,444
1996-97	1/1/96	11,431	11,755	0.9724	1.0467	1.0179	3.7126	4,859,509
1995-96	1/1/95	11,755	11,593	1.0140	1.0472	1.0618	3.6475	4,774,288
1994-95	1/1/94	11,593	11,291	1.0267	1.0071	1.0340	3.4351	4,496,268
1993-94	1/1/93	11,291	11,156	1.0121	1.0272	1.0396	3.3220	4,348,267
1992-93	1/1/92	11,156	10,865	1.0268	0.9936	1.0202	3.1954	4,182,513
1991-92	1/1/91	10,865	9,812	1.1073	1.0414	1.1532	3.1321	4,099,651
1990-91	1/1/90	9,812	9,411	1.0426	1.0421	1.0865	2.7161	3,555,143
1989-90	1/1/89	9,411	8,775	1.0725	1.0519	1.1281	2.4998	3,272,095
1988-89	1/1/88	8,775	8,519	1.0301	1.0466	1.0781	2.2159	2,900,433
1987-88	1/1/87	8,519	8,157	1.0444	1.0347	1.0806	2.0555	2,690,442
1986-87	1/1/86	8,157	8,125	1.0039	1.0230	1.0270	1.9021	2,489,723
1985-86	1/1/85	8,125	8,092	1.0041	1.0374	1.0416	1.8520	2,424,199
1984-85	1/1/84	8,092	7,958	1.0168	1.0474	1.0650	1.7780	2,327,312
1983-84	1/1/83	7,958	7,803	1.0199	1.0235	1.0438	1.6695	2,185,194
1982-83	1/1/82	7,803	7,648	1.0203	1.0679	1.0895	1.5993	2,093,437
1981-82	1/1/81	7,648	7,441	1.0278	1.0912	1.1216	1.4679	1,921,390
1980-81	1/1/80	7,441	7,061	1.0538	1.1211	1.1814	1.3088	1,713,147
1979-80	1/1/79	7,061	7,022	1.0056	1.1017	1.1078	1.1078	1,450,057

**Figure 11**

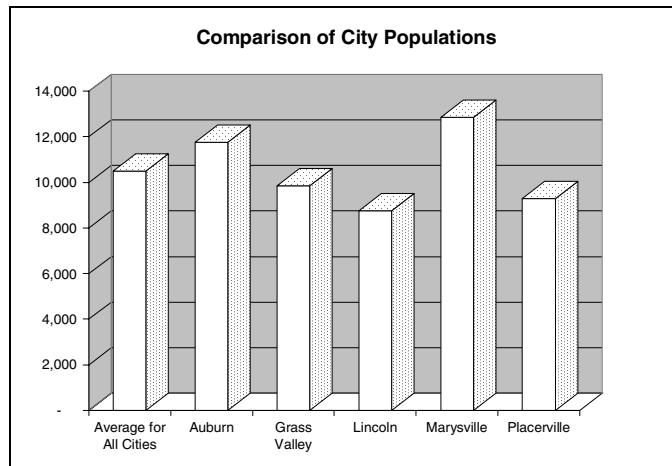
A comparison of last year's actual and the current budget forecast revenues to the computed tax spending limit indicates that the City of Auburn continues to use approximately 84% of its tax spending authority, as illustrated below:



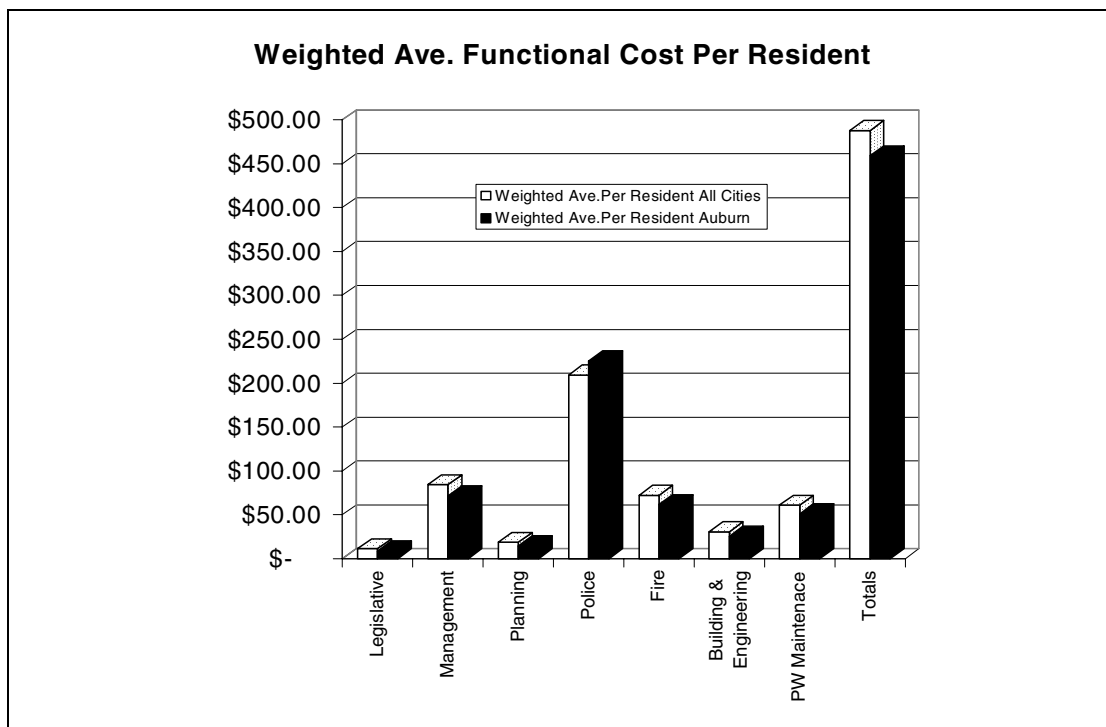
**Figure 12**

## **COMPARISONS OTHER JURISDICTIONS**

Notwithstanding concerns regarding the usefulness of information between individual governmental jurisdictions, the following charts are presented as reference points for the functional expenditures submitted in this budget document. In general, we believe that the neighboring cities reported below are similar in terms of the overall services that they provide to their residents; however, a more detailed analysis of the data would be needed to verify that the summary data reflect comparable levels of service (Source: State Controller's Report 1998-99).



**Figure 13**



**Figure 14**

## **CITY COUNCIL ACTIONS**

A Resolution was adopted by the City Council to establish budget appropriations, after proper public notices and hearings, in the prior fiscal year (2001-02) as follows:

- Operating, Capital Projects & Debt Service Funds (Resolution 01-57, 06/11/01)

Section 2-3.219 (Powers and duties: Preparation of budget) of the Auburn Municipal Code prescribes preparation and submission of an annual budget by the City Manager to the City Council.

Resolution 01-50 was adopted by the City Council on June 11, 2001 to establish the 2001-02 Appropriations Limit for the City of Auburn. Resolution 02-xx will be adopted by the City Council on June 10, 2002 to establish the 2002-03 Appropriations Limit.